National Aeronautics and Space Administration
Advisory Council

Audit, Finance, and Analysis Committee

December 9, 2013

Members:
Mr. Robert Hanisee, Chairman
Hon. William Campbell
Hon. Michael Montelongo
Dr. Howard Stanislawski
Mr. Jeffrey Steinhoff

Audit, Finance & Analysis Committee
Abridged Agenda
Meeting December 9, 2013

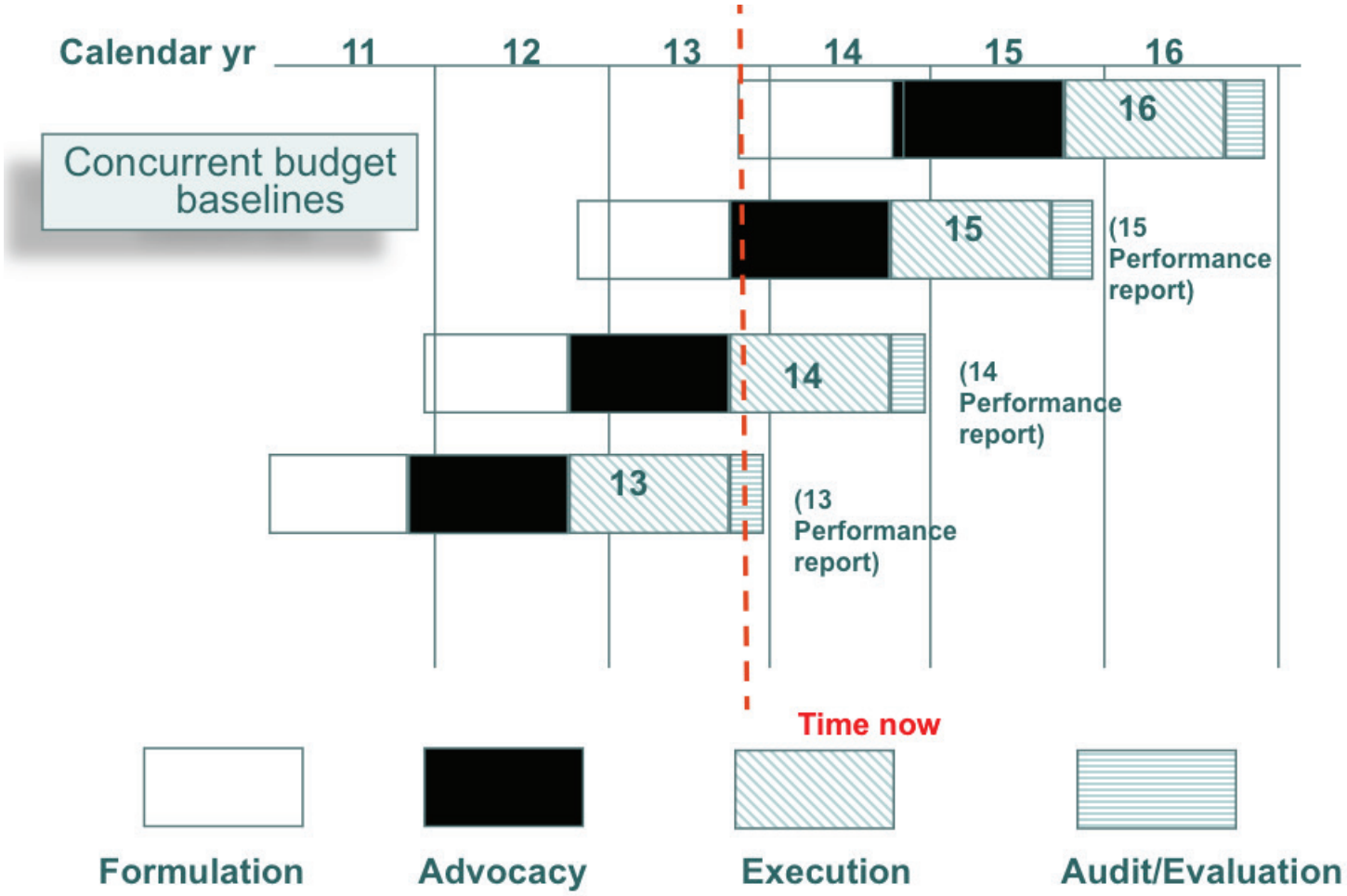
Budget Update *Strategy*	*Andrew Hunter, NASA DCFO, Agency Budget, Performance, and*
Conference Update	*Joe McIntyre, Associate Deputy CFO for Finance*
System Division Update Management Division	*Beverly Veit, Director,* Financial & Budget Systems
FY 2013 Top Management and Performance Challenges	*James Morrison, Assistant Inspector General for Audit*
Financial Statement Audit Re-compete	*Mark Jenson, Director Financial Management*
Deputy Chief Financial Officer Update	*Pam Hanes, NASA DCFO, Agency Financial Management*

BUDGET UPDATE

Andrew Hunter, Deputy CFO

Budget and Performance

Budget Cycles In Play



FY Budget PPBE cycle

16: Preparing strategic Planning Guidance.

15: Awaiting OMB passback

14: 107 day CR underway

13: Audit and PAR complete.

Agency Budget Highlights

FY13 Close-Out	FY13 Actions
$572M of PY13 funding remained unobligated at the end of the fiscal year…about $100M higher than in previous years.	Tracking PY13 unobligated amounts and unobligated projections as of end of December

FY14 Execution	FY14 Actions
Phasing plan in work. A streamlined process this year given the uncertainty.	Plans should be in place in time for the January BPR
Center budget estimate guidance released to centers so they can plan on funding levels for the year.	Budget estimates updated monthly in N2 by RMOs

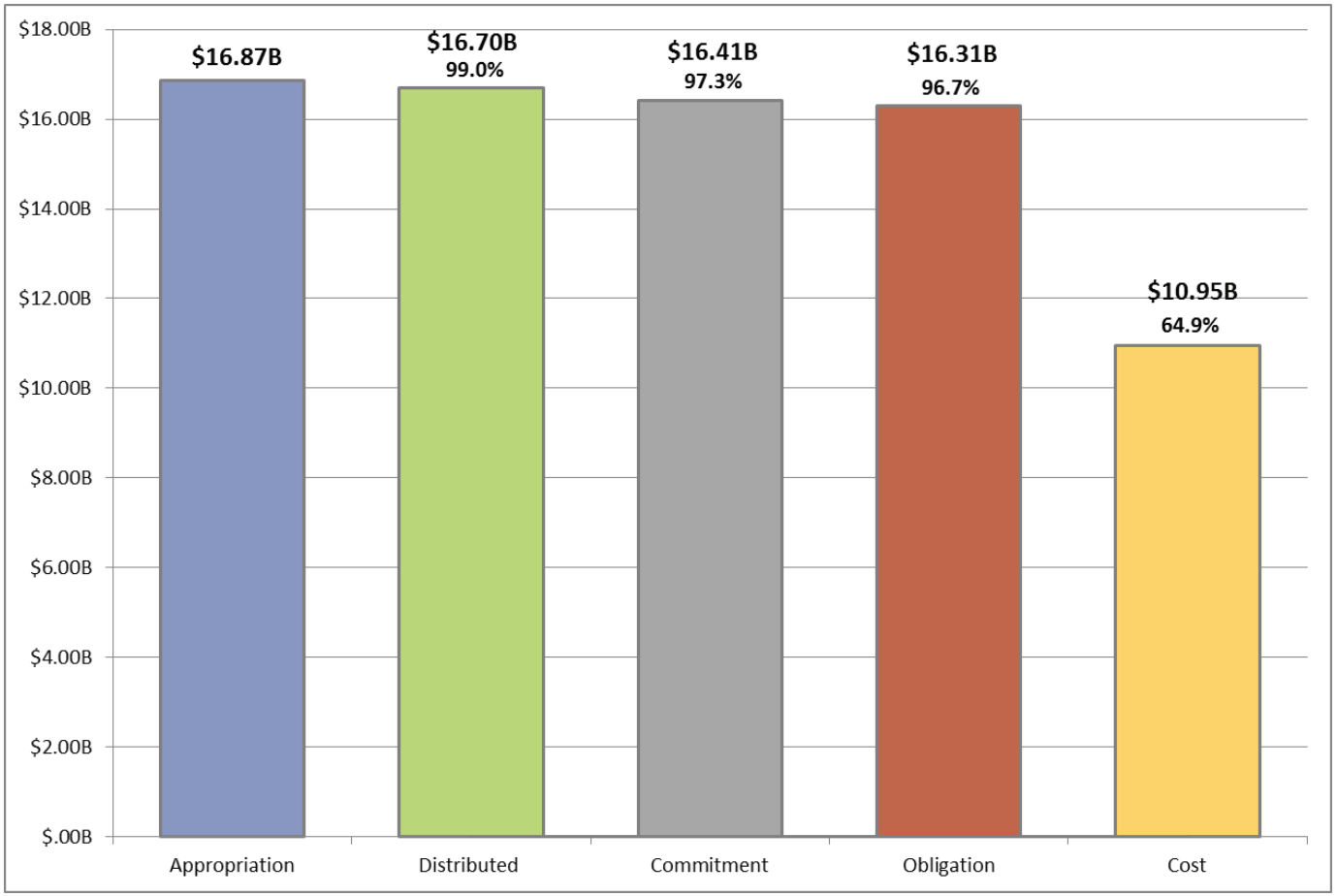
FY15 Formulation	FY15 Actions
Beginning to draft 2015 Congressional Justification (CJ)	A pre-passback draft is due to OCFO on 12/2
Anticipating passback in December (Dec 16?)	

FY16 Planning	FY16 Actions
Drafted PPBE 16 Strategic Planning Guidance	Presented to EC and SMC

Status of PY13 Funds (Agency-Wide)

As of end of FY13

PY13 funds at the end of FY13 were 99% distributed, 97% committed, 97% obligated, and 67% costed



NASA is operating in FY14 at FY13 levels

- **NASA normally obligates slowly during the first quarter with resources available under a CR, which would equate to an annual rate of $15 billion.**
- **NASA will operate at the account-level controls (except where sub-account appropriations are provided in the FY13 appropriation).**
- **NASA will also:**
  - Direct programs to protect civil servant workforce, health & safety, and those missions that are either past KDP-C or in Operations.
  - Direct programs to execute Education & Public Outreach content in accordance with the CO-STEM effort while under the CR.
- **The Administration is not doing any op plans for the current CR. But:**
  - LADEE – we have informed Congress that we increased funding above President's request
  - Commercial crew may need funding above current rate but we will see if we actually need the money before trying to get the apportionment.

The CR plan runs the Agency at the FY13 Operating Plan level

CR planning levels

	FY 2014	FOR REFERENCE			
		FY 2013	FY 2014		
	EC CR Plan	Final Op Plan	PBR	House	Senate
Science	**$4,781.6**	**$4,781.6**	**$5,017.8**	**$4,781.0**	**$5,154.2**
Earth Science	TBD	$1,659.2	$1,846.1	$1,659.0	$1,846.2
Planetary Science	TBD	$1,271.5	$1,217.5	$1,315.0	$1,317.6
Astrophysics	TBD	$617.0	$642.3	$622.0	$678.4
James Webb Space Telescope	$658.2	$627.6	$658.2	$584.0	$658.2
Heliophysics	TBD	$606.3	$653.7	$601.0	$653.8
Aeronautics	**$529.5**	**$529.5**	**$565.7**	**$566.0**	**$558.7**
Space Technology	**$614.5**	**$614.5**	**$742.6**	**$576.0**	**$670.1**
Exploration	**$3,705.5**	**$3,705.5**	**$3,915.5**	**$3,612.0**	**$4,209.3**
Exploration Systems Development	$2,883.8	$2,883.8	$2,729.9	$2,825.0	$3,118.2
Multi-Purpose Crew Vehicle	*$1,113.8*	*$1,113.8*	*$1,026.8*	*$1,050.0*	*$1,200.0*
SLS Vehicle Development	*$1,414.9*	*$1,414.9*	*$1,384.9*	*$1,476.0*	*$1,600.0*
Expl. Grnd Sys.	*$355.1*	*$355.1*	*$318.2*	*$299.0*	*$318.2*
Commercial Spaceflight	$525.0	$525.0	$821.4	$500.0	$775.0
Exploration R & D	$296.7	$296.7	$364.2	$287.0	$316.1
Space Operations	**$3,724.9**	**$3,724.9**	**$3,882.9**	**$3,670.0**	**$3,882.9**
Space Shuttle	$0.0	$38.8	-	-	-
International Space Station	TBD	$2,775.9	$3,049.1	$2,860.0	$3,049.1
Space and Flight Support	TBD	$910.2	$833.8	$810.0	$833.8
Education	**$116.3**	**$116.3**	**$94.2**	**$122.0**	**$116.6**
Cross-Agency Support	**$2,711.0**	**$2,711.0**	**$2,850.3**	**$2,711.0**	**$2,793.6**
CECR	**$646.6**	**$646.6**	**$609.4**	**$525.0**	**$586.9**
Inspector General	**$35.3**	**$35.3**	**$37.0**	**$35.3**	**$38.0**
NASA FY 2014	**$16,865.2**	**$16,865.2**	**$17,715.4**	**$16,598.3**	**$18,010.3**

What Happens next?

- *First FY 2014 CR expires January 15.*

- House Budget Committee Chm. Ryan and Senate Budget Committee Chairwoman Murray continue to express optimism about the possibility of reaching a deal within the deadline of December 13.
  - Deal expected to set discretionary spending caps for the fiscal 2014 and fiscal 2015 and scale back automatic sequester cuts set to take effect in mid-January.
  - Speculation is they are looking at a mix of non-tax revenue and targeted spending cuts, including changes to federal retirement programs, a postal service overhaul, federal asset sales and user fee increases, to offset the sequester.
- Appropriators, meanwhile, say they would be able to pull together a package containing most of the annual spending bills by Jan. 15 if budget conferees are able to deliver a top-line funding level for fiscal 2014 by Dec. 13. Appropriations aides have said they need at least 30 days to compile a 12-bill omnibus package

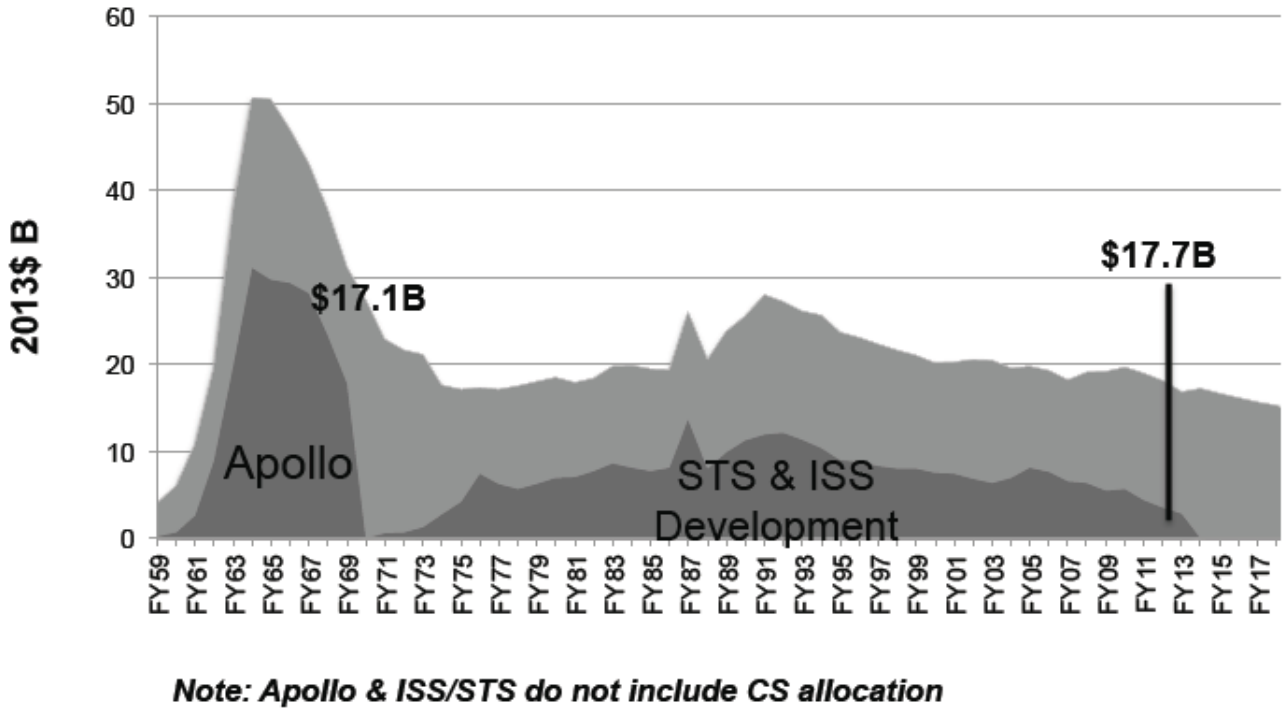
If no Deal is Reached?

- An omnibus spending package for the rest of the current 2014 fiscal year at the sequester level of $967 billion and adhering to funding caps for defense and nondefense accounts stipulated under the 2011 Budget Control Act. Would mean writing spending bills that follow sequester-set levels of $469 billion for nondefense discretionary spending and $498 billion for defense spending.

- A spending bill at the $967 billion limit but attempt to cancel or amend the 2011 deficit law in order to change the funding caps for defense and nondefense programs.

- Enact a true continuing resolution, extending a fiscal 2013 funding plan with $986.3 billion in discretionary spending. They would then have to decide whether to raise the sequester spending caps or allow the across-the-board cuts to take place automatically.

Buying Power In Historic Perspective – the need for change



Note: Apollo & ISS/STS do not include CS allocation

- NASA is currently at its lowest historical inflation-adjusted budget.
  - While dire, it is also tempered by increases in productively (e.g., IT).
  - Does not attempt to disentangle competing impacts of productivity improvements, capabilities deterioration, or changes in complexity of what is purchased on buying power.

FY14 and beyond assumes sequester at $16.2B

CONFERENCE UPDATE

JOSEPH MCINTYRE, ASSOCIATE DEPUTY CFO FOR FINANCE

FY 2014 Guidance Outline

Conference Attendance:

- Domestic Conferences
  - ✓ *Attendance will continue to be limited to scientific and technical conferences*
  - ✓ *Must be core to the Agency's mission*
  - ✓ *There are no alternative methods of participation (e.g. teleconferencing or ViTs)*
  - ✓ *Limit of 50 attendees remains in effect unless more are approved by the Agency OCFO*
  - ✓ *Substantive involvement is not required*

- Foreign Conferences
  - ✓ *Follow the same approval criteria, thresholds and processes as domestic conferences*
  - ✓ *Substantive involvement is required (presenting, speaking, session moderator, or facilitating a scientific or technical exhibit)*
  - ✓ *Legislated 50 person limit applies in all cases.*

FY 2014 Guidance Outline

- All Conference approval decisions (domestic & foreign) with an Agency-wide cost below $75k are delegated to the lead Center CFO. Those conferences with an Agency-wide cost of $75k or above are to be submitted to the Agency CFO's office for deliberation.

- Education and Public Outreach (EPO) conferences are to be submitted through their process for approval.

- EPO conferences with more than 50 attendees or >$75k must also go through the Agency OCFO for approval

- All other guidance in the Chief of Staff April 1, 2013 memo continues to apply while under sequestration.

Conference Administration

- <u>IG Report on Select Conferences</u>
  - IG report contains five recommendations, four of them are for action by the OCFO *(1, 2, 4, and 5)* and one of them is for action by OGC *(recommendation 3)*.
  - OCFO & OGC concurred with all the recommendations
  - An Action plan is currently under development to implement all recommendations
  - IG Report Recommendations:
    1) Improve conference guidance regarding the process for establishing partnering relationships and the appropriate roles of partners in planning and managing a conference to limit the risk of an augmentation of appropriated funds.
    2) Work with the Office of General Counsel to determine whether any NIA Foundation contributions to the 2011 IT summit inappropriately augmented NASA's appropriations and address any issues identified.

Conference Administration

- IG Report Recommendations (cont):

1) Update the standard questions used to evaluate Widely Attended Gathering (WAG) requests to make clear that gifts are valued at the retail cost to the employee and that for meals this figure includes both food and beverages, as well as taxes and service charges.

2) Enhance NASA's conference guidance by:
    - Providing criteria for and examples of acceptable planning and conference costs, including whether travel costs for site selection scouting trips, off-site planning meetings, or conference "dry-runs" are acceptable and requiring these estimated and actual costs be included on NASA Forms (NF) 1784 and 1785.
    - Requiring increases of 10 percent or more in specific cost categories above a certain threshold be approved by appropriate officials.
    - Requiring conference planners to obtain quotes from at least three conference sites and retain documentation from these cost comparisons.

3) Develop a methodology for gathering costs billed to NASA for contractor employees who attend NASA-sponsored conferences with significant contractor attendance.

- *Update: Updates are being made to NID 9700.1 for 1,2,4,5. OGC has updated the WAG questions and a request to close recommendation 3 has been submitted to the IG.*

Conference Administration

- NASA Conference Tracking System (NCTS)
  - 15 Enhancements are currently in the implementation process
    - Enhancements cover the following areas:
      - Facilitating ease entry of attendee information
      - Enhances conference search functionality
      - Enhances automatic email responses to attendees regarding approval status
      - Enhances the scope of conference data entered
    - Future enhancement: Workflow - system will facilitate conference approval requests, routing for approvals, and audit trails.

SYSTEMS UPDATE

Beverly Veit, Director

Systems Division

Agenda

- E-Invoicing
- E-Travel

E-Invoicing Summary

Background:

DoD's WAWF (Wide Area Workflow) system was selected as the software to be utilized for e-Invoicing. In May 2013, NASA implemented WAWF e-Invoicing Phase I with volunteer vendors currently approved by DCMA/DCAA with cost type contracts. Phase I consist of approximately 13 vendors and 48 contracts.

The ultimate goals of e-Invoicing are as follows:

- Eliminate to the extent possible vendor submission of paper invoices and the NSSC processes currently in place to convert those invoices from hard copies to an electronic format
- Provide an electronic means for vendors to submit invoices to NASA
- Provide an electronic means for NASA to approve cost, funding, and invoices when necessary and process payments

Full implementation of e-Invoicing will result in the following:

- Significant reduction or elimination of scanning paper invoices which are currently received
- A single electronic Agency wide approach to cost, funding, and invoice approvals
- Significant reduction or elimination of manual invoice data entry
- Discontinued use and shutdown of the NSSC AWMS custom system

NAC Presentation – WAWF DOD e-invoicing solution

Phase I successfully went live on Monday, May 6, 2013. Phase I scope included

- Capabilities to create, route Invoices to Defense Contract Audit Agency/ Defense Contract Management Agency for approval
- Since May 2013, over 250 invoices have been approved and successfully received in SAP through the WAWF interface.

Phase II Go-live was originally scheduled for October 1, 2013, but was delayed to allow time to fully address Center concerns.

- Improve communication
- Improve documentation of new processes, procedures, reports
- Determine most effective process for routing of invoices and make necessary system changes
- Develop more robust training plan
- Ensure appropriate internal controls are established

E-Travel

ETS2 Contract Status

- On May 31, 2012, GSA awarded Concur Technologies, Inc. a contract to launch the next generation of the federal government's web based travel management service (ETS2)
- Carlson Wagonlit Travel appealed to the Court of Federal Claims and on September 13, 2013 was awarded a contract to be a second vendor
  - No impact to NASA, unless Concur opts to invoke dual pricing for transaction fees (they should make this decision by the end of calendar year 2013)

ETS2 Deployment schedule is being finalized (on slide 13)

- NEACC is working with Concur to finalize the solution to the final blocking issue
  - Outbrief on solution implementation planned for December 20, 2013.
- Upon validation of solution, Go-Live schedule can be finalized.

NASA'S TOP MANAGEMENT CHALLENGES

JAMES MORRISON, ASSISTANT INSPECTOR GENERAL FOR AUDIT

AND

AUDIT RE-COMPETE

MARK JENSON, DIRECTOR FINANCIAL MANAGEMENT

NASA's Top Challenges and Audit Re-compete

- **NASA's Most Serious Challenges**
  - Considering Whether to Further Extend the Life of the International Space Station
  - Developing the Space Launch System and Its Component Programs
  - Securing Commercial Crew Transportation Services
  - Maintaining Cost and Schedule for the James Webb Space Telescope
  - Ensuring Continued Efficacy of the Space Communications Networks
  - Overhauling NASA's Information Technology Governance Structure
  - Ensuring the Security of NASA's Information Technology Systems
  - Managing NASA's Infrastructure and Facilities
  - Ensuring the Integrity of the Contracting and Grants Processes

- **Re-compete of the financial statement audit**
  - Process started March 2013
  - Announcement within the next 2 weeks

FINANCE UPDATE

PAM HANES, DEPUTY CFO

FINANCE

DCFO Update

- Key personnel updates
  - Dr. Elizabeth “Beth” Robinson leaving NASA to become Under Secretary at the Department of Energy
  - Andrew Hunter will be Acting CFO until nominee confirmed
  - David “Radz” Radzanowski nominee for NASA CFO
    - Since May, 2010, serve as NASA’s Chief of Staff
    - Prior to this position he held several positions at NASA including:
      - Deputy Associate Administrator for Program Integration and
      - Assistant Associate Administrator for the Resources Management and Analysis Office
    - Pending confirmation, he will continue to serve as Chief of Staff
    - Before joining NASA in 2006 he was Branch Chief for Science and Space at the Office of Management and Budget (OMB).

DCFO Update

- Congressional initiative on shared services led by the Office of Management and Budget and Treasury.
  - NASA is speaking with Treasury and evaluating possible options

- FY 2013 Financial Statement Audit Report
  - NASA received third consecutive clean opinion

    "*In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NASA as of September 30, 2013 and September 30, 2012, and its net cost, changes in net position and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America* (Independent Auditors Report)"

  - Notable opinion without any significant deficiencies including environmental liabilities
  - Asbestos no findings!
  - AFAC recommendation to CFO council to pursue unified approach.

AUDIT, FINANCE, AND ADVISORY COMMITTEE – FINAL OBSERVATIONS

Committee Observations

- Concern NASA declaring victory and taking eye off the ball – risk loosing clean opinion. The new committee needs to:
  - Meet with financial statement auditors at least once a year
  - Remain informed on audit issues and ensure recommendations are addressed
  - New committee members need strong audit/finance background
  - The new committee should meet with the IG a minimum of once a year to be briefed on areas of concern.
  - The new committee should meet with the IG a minimum of once a year to be briefed on areas of concern.
- Cost will continue to be a challenge
- Budget challenges will continue into the future
- NASA needs to focus on getting the biggest bang for the buck
- Focus on enterprise issues/mission
- Make sure performance measures the right things – do we have too many measures
- Cyber security important to NASA mission